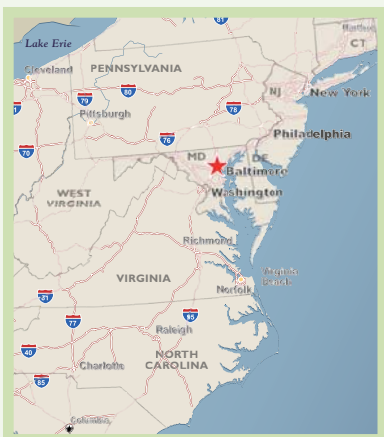


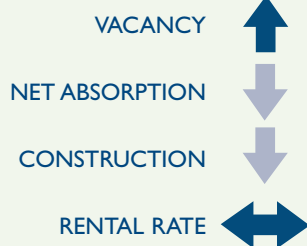
# Market Report

INDUSTRIAL | MIDYEAR | 2008



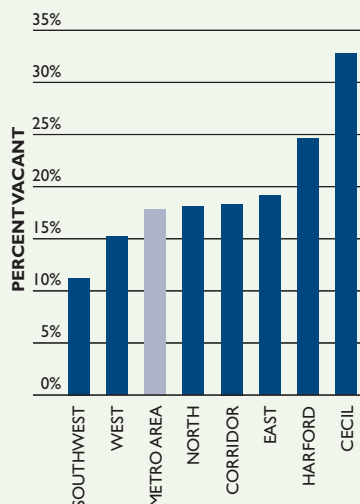
## MARKET INDICATORS

2008



## INDUSTRIAL VACANCY

BY SUBMARKET



## Introduction

When the Baltimore Metropolitan area industrial market slows, a few large transactions sway market performance one way or the other. This certainly was the case during the first half of 2008. A quick glance at absorption figures show that bulk distribution, flex and office/warehouse space in Baltimore lost a combined 2 million square feet of occupancy during the first half of 2008. A closer look at the market for bulk distribution space, which lost 69% of this total, shows that two buildings, 8901 Snowden River Parkway in Howard County and 4 Centre Drive in Cecil County, accounted for 1.36 million square feet of the 1.5 million square feet of negative absorption in the bulk distribution market. At the same time that absorption slowed, an additional 1.37 million square feet of new bulk distribution space was added, two-thirds of which remain available as of midyear.



Baltimore's flex market was relatively flat, ending the second quarter with an 11.7% vacancy rate. The office/warehouse market took a few more lumps, losing almost 600,000 square feet of occupancy. This raised the vacancy rate to 13.5%, which is still below the combined metropolitan area rate of 17.8%.

The market's performance is not surprising, given the economic slowdown, weak retail performance before tax rebates, and rising fuel prices affecting the cost of making, packaging, transporting and storing goods of all types. None of Baltimore's markets escaped unscathed as vacancies increased both geographically and by building type.

## Baltimore/Washington Corridor

Even though the Corridor sustained the greatest loss of occupancy, it still had notable leasing and sales activity this year. Frank Parsons Paper Company leased 183,000 square feet at 1300 Mercedes Drive. Sleepy's leased 119,000 square feet at 8700 Robert Fulton Drive, and Ulma Form Works took down 107,000 square feet at 8235 Patuxent Ridge Road.

## HISTORIC VACANT AND ABSORBED INDUSTRIAL SPACE SQUARE FEET BY YEAR

YR	BULK		FLEX		OFF/WHSE	
	VACANT	ABSORBED	VACANT	ABSORBED	VACANT	ABSORBED
2004	11,876,123	-1,228,769	1,666,499	29,168	1,688,040	385,841
2005	10,950,151	3,515,286	1,831,401	375,785	1,663,789	33,265
2006	10,254,456	869,115	1,782,215	167,270	1,551,073	13,316
2007	10,450,276	909,913	1,657,784	332,154	1,476,117	701,478
2008	14,047,326	-1,542,366	1,717,487	-86,313	2,567,478	-599,449

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## WANT TO REDUCE YOUR REAL ESTATE EXPENSES?

**Q:** Did you know that Baltimore County is giving free money to owners of green buildings?

**A:** Baltimore County is offering real estate tax credits from 10–15% for a period of up to five years for existing buildings that are retrofitted for LEED certification.

Retrofit activity could include such elements as installation of new energy efficient lighting, use of non-toxic cleaning products and use of recycled building materials.

**Q:** Did you know that you have a choice of power companies to provide your energy?

**A:** Due to energy deregulation in Maryland, we now have a handful of companies supplying power to the Baltimore metro area. You can take advantage of this great opportunity by shopping for your electricity and potentially reducing your power costs.

From purchasing an energy contract to collecting rebates on sustainable building products, there are many ways to reduce your real estate expenses. Please contact us for more cost saving tips.

*Colliers Pinkard is a proud member of the U.S. Green Building Council.*

Oekos Management Corporation bought the 9-building flex and R&D complex in Rivers Corporate Park from Rivers Center LLC for an estimated \$44 million, or \$158 per square foot. Velsor Properties paid \$81 per square foot for the two-building Sieling Industrial portfolio totaling 221,000 square feet.

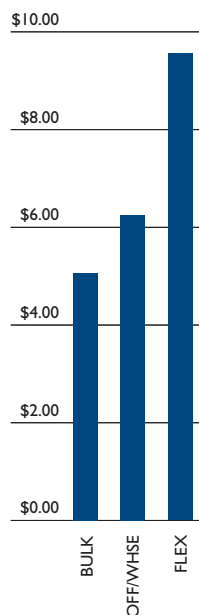
## East Market

The East market added over 700,000 square feet of new construction, 77% of which

remains unleased. The largest addition was Duke Realty's 344,000-square-foot building in Chesapeake Commerce Center, which is looking for its first tenant. Pevco Systems International occupied the 41,000-square-foot building built at 1401 Tangier Drive. Johns Hopkins' Home Care Group occupied half of Duke Realty's 117,600-square-foot building at 5901 Holabird Avenue. The East flex market eked out positive absorption, which the office/warehouse market wasn't able to do, although the vacancy rate for office/warehouse space remained below 10%. 8900 Yellow Brick Road sold for \$4.7 million (60,000 square feet) to TA Associates.

### AVERAGE ASKING RENTS

BALTIMORE METROPOLITAN AREA  
NET AVERAGE ASKING RENT



## Harford County

Procter & Gamble's 538,000-square-foot lease in Gateway @ Riverside was the largest industrial lease in the Baltimore market during the first half. This was good news in a submarket that has struggled with persistently high vacancy rates in its bulk distribution market. By contrast, its much smaller flex and office/warehouse segments have some of the lowest vacancy rates in the metropolitan area.

## Southwest

The Southwest market was comparatively stable during the first half. Two new buildings were added — Merritt's 228,154-square-foot building at 4711 Hollins Ferry Road, which has been 60% leased, and Belt's Realty Services' 154,000-square-foot building at

## HOW FAR A TRACTOR TRAILER COULD TRAVEL ON \$500 OF DIESEL 1999 THROUGH 2008



DATE	PRICE/ GALLON	GALLONS/ \$500	MPG	TOTAL MILES
APR '08	\$4.059	123.2	6	739
MAR '07	\$2.630	190.1	6	1,141
MAR '04	\$1.630	306.7	6	1,840
MAR '01	\$1.400	357.1	6	2,143
MAR '99	\$0.997	501.5	6	3,009

## COLLIERS PINKARD BULK, FLEX, OFFICE/WAREHOUSE MARKET STATISTICAL OVERVIEW

BALTIMORE METROPOLITAN AREA/JANUARY 1, 2008 – JUNE 30, 2008

	NUMBER BUILDINGS	TOTAL SIZE	SF AVAILABLE	V-RATE	SF ABSORBED	% SUBLET	FUTURE AVAILABLE (SF)	UNDER CONST (SF)	COMPLETED CONST (SF)
<b>CECIL COUNTY</b>									
BULK	11	3,108,420	1,010,600	32.51%	-345,600	0.00%	0	0	0
<b>TOTAL:</b>	<b>11</b>	<b>3,108,420</b>	<b>1,010,600</b>	<b>32.51%</b>	<b>-345,600</b>	<b>0.00%</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>CORRIDOR</b>									
BULK	146	24,638,229	5,341,512	21.68%	-1,103,897	10.70%	1,035,696	40,000	300,498
FLEX	116	4,779,773	556,776	11.65%	-92,350	14.23%	0	0	0
OFFICE/WAREHOUSE	137	8,257,230	1,006,283	12.19%	-239,177	15.91%	76,120	0	0
<b>TOTAL:</b>	<b>399</b>	<b>37,675,232</b>	<b>6,904,571</b>	<b>18.33%</b>	<b>-1,435,424</b>	<b>11.74%</b>	<b>1,111,816</b>	<b>40,000</b>	<b>300,498</b>
<b>EAST</b>									
BULK	111	16,142,598	3,381,522	20.95%	-24,847	5.80%	1,123,277	0	688,803
FLEX	18	732,714	136,126	18.58%	66,553	0.00%	52,600	0	0
OFFICE/WAREHOUSE	47	2,827,839	263,806	9.33%	-130,299	0.58%	264,327	69,327	15,950
<b>TOTAL:</b>	<b>176</b>	<b>19,703,151</b>	<b>3,781,454</b>	<b>19.19%</b>	<b>-88,593</b>	<b>5.23%</b>	<b>1,440,204</b>	<b>69,327</b>	<b>704,753</b>
<b>HARFORD COUNTY</b>									
BULK	28	7,290,241	2,086,048	28.61%	-26,850	8.68%	781,000	676,000	0
FLEX	16	662,820	55,160	8.32%	-10,490	36.26%	0	0	0
OFFICE/WAREHOUSE	17	846,015	27,000	3.19%	-16,600	0.00%	0	0	0
<b>TOTAL:</b>	<b>61</b>	<b>8,799,076</b>	<b>2,168,208</b>	<b>24.64%</b>	<b>-53,940</b>	<b>9.27%</b>	<b>781,000</b>	<b>676,000</b>	<b>0</b>
<b>NORTH</b>									
BULK	26	1,613,503	411,101	25.48%	-108,911	8.83%	0	0	0
FLEX	61	2,890,670	328,719	11.37%	-35,556	0.82%	0	0	0
OFFICE/WAREHOUSE	11	530,400	171,700	32.37%	-8,000	0.00%	0	0	0
<b>TOTAL:</b>	<b>98</b>	<b>5,034,573</b>	<b>911,520</b>	<b>18.11%</b>	<b>-152,467</b>	<b>4.28%</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>SOUTHWEST</b>									
BULK	113	13,857,702	1,621,384	11.70%	5,859	1.90%	610,275	265,695	382,554
FLEX	44	1,977,023	121,002	6.12%	32,077	4.30%	120,000	0	0
OFFICE/WAREHOUSE	56	4,383,027	530,044	12.09%	-48,404	0.63%	224,421	0	0
<b>TOTAL:</b>	<b>213</b>	<b>20,217,752</b>	<b>2,272,430</b>	<b>11.24%</b>	<b>-10,468</b>	<b>1.73%</b>	<b>954,696</b>	<b>265,695</b>	<b>382,554</b>
<b>WEST</b>									
BULK	22	2,666,641	195,159	7.32%	61,880	2.31%	123,583	0	0
FLEX	80	3,645,405	519,704	14.26%	-46,547	6.93%	0	0	0
OFFICE/WAREHOUSE	28	2,133,061	568,645	26.66%	-156,969	0.00%	0	0	0
<b>TOTAL:</b>	<b>130</b>	<b>8,445,107</b>	<b>1,283,508</b>	<b>15.20%</b>	<b>-141,636</b>	<b>3.15%</b>	<b>123,583</b>	<b>0</b>	<b>0</b>
<b>MARKET TOTALS</b>									
BULK	457	69,317,334	14,047,326	20.27%	-1,542,366	7.26%	3,673,831	981,695	1,371,855
FLEX	335	14,688,405	1,717,487	11.69%	-86,313	8.33%	172,600	0	0
OFFICE/WAREHOUSE	296	18,977,572	2,567,478	13.53%	-599,449	6.42%	564,868	69,327	15,950
<b>GRAND TOTALS:</b>	<b>1088</b>	<b>102,983,311</b>	<b>18,332,291</b>	<b>17.80%</b>	<b>-2,228,128</b>	<b>7.24%</b>	<b>4,411,299</b>	<b>1,051,022</b>	<b>1,387,805</b>

\* Future Available includes unleased, under construction square footage, and indicates space not currently vacant, but becoming available after June 30, 2008.

Colliers Pinkard does not include owner or government buildings in this report.

1021 Swan Creek Drive, which has been fully leased. Preston Partners is developing a 265,000-square-foot building due to deliver in the third quarter.

## Outlook

- The outlook is clouded by falling housing prices, a weak economy, rising fuel prices, and faltering employment, all of which are eroding consumer confidence and buying power.
- Operating assumptions about shipping costs, commodity prices, product pricing and supply chain configuration are forcing companies in all industries to decide how best to cope and whether and when existing networks of manufacturing and distribution locations can be affordably realigned. The map graphic on page 2 shows that a tractor trailer could travel 3000 miles on \$500 of diesel fuel when gas was \$.99 cents per gallon. At today's \$4.06 per gallon, that same truck could only travel 739 miles. There is initial talk of companies relocating smaller manufacturing and distribution

facilities to be closer to customers, rather than retaining networks with fewer large facilities.

- The macro changes roiling the U.S. economy are unlikely to go away. In the short term, the Baltimore market will cope with weakened demand. Approximately 90% of the 1 million square feet under construction has not been pre-leased, which is likely to swell the existing inventory of vacant space.
- The Port of Baltimore remains a source of positive news. The Port had another record breaking year in 2007. The total value of cargo that moved through the Port was a record \$41.9 billion. Exports reached 11.3 million tons, 35% higher than 2006. Export cargo shipped from the Port surged, especially autos, forest products and roll-on roll-off units. Baltimore is now the leader in auto exports in the U.S. and remains #1 in roll-on roll-off, trucks, imported forest products, imported gypsum and imported iron ore.

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